

News

Release

Orchestrating a brighter world

NEC

Press Release - Media Contacts: press@news.jp.nec.com

**** For immediate use July 30, 2024

Consolidated Financial Results
for the Three-month Period Ended
June 30, 2024

Consolidated Financial Results for the Three-month Period Ended June 30, 2024 [IFRS]

July 30, 2024

Company name NEC Corporation Listing: Tokyo Stock Exchange
 Securities code 6701 URL <https://www.nec.com/>
 Representative Takayuki Morita, President and CEO
 Contact Masahiro Urata, Senior Director of the Stakeholder Relations Department TEL +81-3-3798-2931
 Scheduled date of dividend payments —
 Supplementary materials for financial results Yes
 Financial results briefing Yes (for institutional investors and analysts)

(Million JPY, rounded to the nearest million JPY)

1. Consolidated Financial Results for the Three-month Period Ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(1) Consolidated Operating Results (Percentage indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent		Total comprehensive income	
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%
Three-month period ended												
June 30, 2024	690,296	(2.3)	4,540	—	(3,323)	—	(6,039)	—	(5,836)	—	44,588	(32.9)
June 30, 2023	706,542	7.1	(8,125)	—	(2,463)	—	(6,830)	—	(7,388)	—	66,423	51.6

	Adjusted operating profit		Non-GAAP operating profit		Non-GAAP profit attributable to owners of the parent		Basic earnings per share	Diluted earnings per share	Non-GAAP earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY	JPY	JPY
Three-month period ended									
June 30, 2024	12,688	—	16,295	—	10,526	—	(21.90)	(21.90)	39.50
June 30, 2023	454	—	565	—	(1,336)	—	(27.74)	(27.74)	(5.02)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	JPY (millions)	JPY (millions)	JPY (millions)	%
As of				
June 30, 2024	4,124,277	2,115,623	1,940,396	47.0
March 31, 2024	4,227,514	2,089,523	1,915,613	45.3

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Years ended	JPY	JPY	JPY	JPY	JPY
March 31, 2024	—	60.00	—	60.00	120.00
March 31, 2025	—	—	—	—	—
March 31, 2025 (forecast)	—	70.00	—	70.00	140.00

*Note-Revision in the dividends forecast from latest announcement: None

3. Consolidated Financial Results Forecast for the Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentage indicate year-on-year changes.)

	Revenue		Adjusted operating profit		Non-GAAP operating profit		Non-GAAP profit attributable to owners of the parent		Non-GAAP earnings per share
	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY (millions)	%	JPY
Year ending									
March 31, 2025	3,370,000	(3.1)	255,000	14.1	255,000	12.0	165,000	(7.2)	619.24

*Note-Revision in the consolidated financial results forecast from latest announcement: None

*Notes

(1) Significant changes in consolidation scope during the period: None

Newly included : None

Excluded : None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS : Yes

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock)	June 30, 2024	272,849,863 shares	March 31, 2024	272,849,863 shares
2) Number of treasury stock at the end of period	June 30, 2024	6,396,717 shares	March 31, 2024	6,395,064 shares
3) Average number of shares during the period	June 30, 2024	266,454,033 shares	June 30, 2023	266,347,281 shares

*The quarterly review by certified public accountants or an audit firm for the consolidated financial results: None

*Explanation concerning the appropriate use of the financial results forecast and other special matters

(Adjusted operating profit)

"Adjusted operating profit" is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit.

(Non-GAAP profit)

"Non-GAAP operating profit" is an indicator for measuring underlying profitability. It is measured by deducting amortization of intangible assets recognized as a result of M&A, expenses for acquisition of companies (financial advisory fees and other fees), structural reform expenses, impairment losses, stock compensation and other one-time profits (losses) from operating profit. Also, "Non-GAAP net profit attributable to owners of the parent" is an indicator for measuring underlying profitability attributable to owners of the parent. It is measured by deducting adjustment items of profit before income taxes and corresponding amounts of tax and non-controlling interests from net profit attributable to owners of the parent.

(Cautionary statement with respect to forward-looking statements)

The forward-looking statements such as operating results forecast contained in this statements summary are based on the information currently available to NEC Corporation ("the Company") and certain assumptions considered reasonable. Actual operating results may differ significantly from these forecasts due to various factors. For details, please refer to "3. Cautionary Statement with Respect to Forward-Looking Statements" on page 18.

(How to obtain supplementary financial materials and information on the financial results briefing)

On July 30, 2024, the Company will hold a financial results briefing for the institutional investors and analysts. Presentation materials will be posted on the company website after the release of financial results, and the presentation video and Q&A summary will be posted on the company website promptly after the financial results briefing.

In addition to the above, the Company periodically holds briefings on business and operating results for the individual investors. Presentation materials and Q&A summary will be posted on the company website promptly after the briefing. For the schedule and details, please check the company website.

Table of Contents of Attachment

1. Overview of Business Results.....	4
2. Condensed Interim Consolidated Financial Statements and Notes to Condensed Interim Consolidated Financial Statements	5
(1) Condensed Interim Consolidated Statements of Financial Position	5
(2) Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income	7
(3) Condensed Interim Consolidated Statements of Changes in Equity	9
(4) Condensed Interim Consolidated Statements of Cash Flows	10
(5) Notes to Condensed Interim Consolidated Financial Statements	12
3. Cautionary Statement with Respect to Forward-Looking Statements	18

1. Overview of Business Results

The information regarding overview of business results can be found in “Financial Results for Q1 Fiscal Year Ending March 31, 2025”, which is disclosed on the company website.

2. Condensed Interim Consolidated Financial Statements and Notes to Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

JPY (millions)

	Notes	As of March 31, 2024	As of June 30, 2024
Assets			
Current Assets			
Cash and cash equivalents		476,490	509,776
Trade and other receivables		829,497	503,386
Contract assets		411,715	409,220
Inventories		242,634	299,750
Other financial assets		15,729	15,176
Other current assets		165,719	203,700
Total current assets		2,141,784	1,941,008
Non-current assets			
Property, plant and equipment, net		510,970	572,873
Goodwill		392,290	414,751
Intangible assets, net		371,762	383,523
Investments accounted for using the equity method		107,925	98,862
Other financial assets		203,099	208,554
Deferred tax assets		156,888	158,667
Other non-current assets		342,796	346,039
Total non-current assets		2,085,730	2,183,269
Total assets		4,227,514	4,124,277

Condensed Interim Consolidated Statements of Financial Position (Continued)

JPY (millions)

	Notes	As of March 31, 2024	As of June 30, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		519,762	449,980
Contract liabilities		389,908	395,382
Bonds and borrowings		84,665	75,101
Accruals		252,713	181,149
Lease liabilities		52,579	53,730
Other financial liabilities		20,185	22,634
Accrued income taxes		22,494	10,861
Provisions		57,642	55,728
Other current liabilities		69,405	55,248
Total current liabilities		1,469,353	1,299,813
Non-current liabilities			
Bonds and borrowings		298,279	284,397
Lease liabilities		113,121	169,455
Other financial liabilities		28,838	25,058
Net defined benefit liabilities		157,646	156,321
Provisions		23,960	25,067
Other non-current liabilities		46,794	48,543
Total non-current liabilities		668,638	708,841
Total liabilities		2,137,991	2,008,654
Equity			
Share capital		427,831	427,831
Share premium		167,451	167,678
Retained earnings		883,453	861,610
Treasury shares		(31,097)	(31,116)
Other components of equity		467,975	514,393
Total equity attributable to owners of the parent		1,915,613	1,940,396
Non-controlling interests		173,910	175,227
Total equity		2,089,523	2,115,623
Total liabilities and equity		4,227,514	4,124,277

(2) Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income

Condensed Interim Consolidated Statements of Profit or Loss

JPY (millions)

Three-month period ended June 30	Notes	2023	2024
Revenue	3	706,542	690,296
Cost of sales		519,187	500,126
Gross profit		187,355	190,170
Selling, general and administrative expenses		195,412	184,086
Other operating income (expenses)		(68)	(1,544)
Operating profit (loss)	3	(8,125)	4,540
Finance income	3,4	6,979	5,585
Finance costs	3,4	2,917	3,667
Share of profit (loss) of entities accounted for using the equity method	3,5	1,600	(9,781)
Profit (loss) before income taxes		(2,463)	(3,323)
Income taxes		4,367	2,716
Net profit (loss)		(6,830)	(6,039)
Net profit (loss) attributable to			
Owners of the parent		(7,388)	(5,836)
Non-controlling interests		558	(203)
Total		(6,830)	(6,039)
Earnings per share attributable to owners of the parent			
Basic earnings per share (JPY)	6	(27.74)	(21.90)
Diluted earnings per share (JPY)	6	(27.74)	(21.90)

Condensed Interim Consolidated Statements of Comprehensive Income

JPY (millions)

Three-month period ended June 30	Notes	2023	2024
Net profit (loss)		(6,830)	(6,039)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Equity instruments designated as measured at fair value through other comprehensive income		7,145	2,051
Remeasurements of defined benefit plans		—	—
Share of other comprehensive income of entities accounted for using the equity method		76	(172)
Total items that will not be reclassified to profit or loss		7,221	1,879
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		66,891	48,836
Cash flow hedges		(1,611)	(1,474)
Share of other comprehensive income of entities accounted for using the equity method		752	1,386
Total items that may be reclassified subsequently to profit or loss		66,032	48,748
Total other comprehensive income, net of tax		73,253	50,627
Total comprehensive income		66,423	44,588
Total comprehensive income attributable to			
Owners of the parent		57,595	40,582
Non-controlling interests		8,828	4,006
Total		66,423	44,588

(3) Condensed Interim Consolidated Statements of Changes in Equity

(Three-month period ended June 30, 2023)

JPY (millions)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2023	427,831	165,034	764,604	(31,588)	297,936	1,623,817	288,907	1,912,724
Net profit (loss)	—	—	(7,388)	—	—	(7,388)	558	(6,830)
Other comprehensive income	—	—	—	—	64,983	64,983	8,270	73,253
Comprehensive income	—	—	(7,388)	—	64,983	57,595	8,828	66,423
Purchase of treasury shares	—	—	—	(17)	—	(17)	—	(17)
Disposal of treasury shares	—	0	—	0	—	0	—	0
Cash dividends	—	—	(14,665)	—	—	(14,665)	(3,713)	(18,378)
Changes in interests in subsidiaries	—	20	—	—	—	20	(129)	(109)
Total transactions with owners	—	20	(14,665)	(17)	—	(14,662)	(3,842)	(18,504)
As of June 30, 2023	427,831	165,054	742,551	(31,605)	362,919	1,666,750	293,893	1,960,643

(Three-month period ended June 30, 2024)

JPY (millions)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2024	427,831	167,451	883,453	(31,097)	467,975	1,915,613	173,910	2,089,523
Net profit (loss)	—	—	(5,836)	—	—	(5,836)	(203)	(6,039)
Other comprehensive income	—	—	—	—	46,418	46,418	4,209	50,627
Comprehensive income	—	—	(5,836)	—	46,418	40,582	4,006	44,588
Purchase of treasury shares	—	—	—	(19)	—	(19)	—	(19)
Share-based payment transactions	—	102	—	—	—	102	—	102
Cash dividends	—	—	(16,007)	—	—	(16,007)	(2,489)	(18,496)
Changes in interests in subsidiaries	—	125	—	—	—	125	(200)	(75)
Total transactions with owners	—	227	(16,007)	(19)	—	(15,799)	(2,689)	(18,488)
As of June 30, 2024	427,831	167,678	861,610	(31,116)	514,393	1,940,396	175,227	2,115,623

(4) Condensed Interim Consolidated Statements of Cash Flows

		JPY (millions)	
Three-month period ended June 30	Notes	2023	2024
Cash flows from operating activities			
Profit (loss) before income taxes		(2,463)	(3,323)
Depreciation and amortization		46,055	40,231
Impairment loss		61	1,284
Increase (decrease) in provisions		(3,414)	(1,492)
Finance income	4	(6,979)	(5,585)
Finance costs	4	2,917	3,667
Share of profit (loss) of entities accounted for using the equity method	5	(1,600)	9,781
(Increase) decrease in trade and other receivables		293,333	333,089
(Increase) decrease in inventories		(58,482)	(55,185)
Increase (decrease) in trade and other payables		(47,011)	(71,848)
Others, net		(122,814)	(128,610)
	Subtotal	99,603	122,009
Interest received		1,528	1,168
Dividends received		2,450	2,065
Interest paid		(2,324)	(3,565)
Income taxes paid		(14,872)	(17,936)
	Net cash provided by (used in) operating activities	86,385	103,741
Cash flows from investing activities			
Purchases of property, plant and equipment		(15,284)	(18,228)
Proceeds from sales of property, plant and equipment		2,144	2,804
Acquisitions of intangible assets		(4,728)	(5,304)
Purchase of equity instruments designated as measured at fair value through other comprehensive income		(2)	(230)
Proceeds from sales of equity instruments designated as measured at fair value through other comprehensive income		4,385	9
Purchases of investments in associates or joint ventures		(80)	—
Proceeds from sales of investments in associates or joint ventures		100	20
Others, net		380	(797)
	Net cash provided by (used in) investing activities	(13,085)	(21,726)

Condensed Interim Consolidated Statements of Cash Flows (Continued)

Three-month period ended June 30	Notes	JPY (millions)	
		2023	2024
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		3,830	(954)
Proceeds from long-term borrowings		—	1,502
Repayments of long-term borrowings		(1,203)	(92)
Redemption of bonds		(10,000)	(25,000)
Payments of lease liabilities		(16,506)	(15,241)
Dividends paid		(14,431)	(15,806)
Dividends paid to non-controlling interests		(3,747)	(2,475)
Proceeds from issuance of preference shares with put/call options		15,797	—
Others, net		(184)	(141)
Net cash provided by (used in) financing activities		(26,444)	(58,207)
Effect of exchange rate changes on cash and cash equivalents		11,347	9,478
Net increase (decrease) in cash and cash equivalents		58,203	33,286
Cash and cash equivalents, at the beginning of period		419,462	476,490
Cash and cash equivalents, at the end of period		477,665	509,776

(5) Notes to Condensed Interim Consolidated Financial Statements

1. Going Concern Assumptions

Not applicable.

2. Material accounting policies

Material accounting policies adopted for the three-month period ended June 30, 2024 are consistent from those applied for the previous fiscal year, except for the following item.

Income taxes for the three-month period ended June 30, 2024 are calculated using reasonably estimated annual effective tax rate.

Amendments of IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”.

The NEC Group applied amendments of IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”, effective from the first quarter of the fiscal year ending March 31, 2025. These amendments require disclosures to enhance the transparency of supplier finance agreements. As a result of amendments, there are no impact on the disclosure of the condensed interim consolidated financial statements.

3. Segment Information

(1) Information about revenue, profit or loss by reportable segments

(Three-month period ended June 30, 2023)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	385,735	213,166	598,901	107,641	—	706,542
Intersegment	10,876	928	11,804	1,385	(13,189)	—
Total	396,611	214,094	610,705	109,026	(13,189)	706,542
Segment profit (loss)	11,908	(7,189)	4,719	(1,969)	(2,296)	454
Acquisition-related amortization of intangible assets						(8,450)
Expenses for M&A						(129)
Operating profit (loss)						(8,125)
Finance income						6,979
Finance costs						(2,917)
Share of profit of entities accounted for using the equity method						1,600
Profit (loss) before income taxes						(2,463)

(Three-month period ended June 30, 2024)

JPY (millions)

	Reportable Segments			Others	Reconciling Items (Note 2)	Consolidated Total
	IT Services	Social Infrastructure	Total			
Revenue						
External customers	418,257	219,170	637,427	52,869	—	690,296
Intersegment	13,178	1,126	14,304	1,161	(15,465)	—
Total	431,435	220,296	651,731	54,030	(15,465)	690,296
Segment profit (loss)	14,532	3,229	17,761	(3,716)	(1,357)	12,688
Acquisition-related amortization of intangible assets						(8,148)
Expenses for M&A						—
Operating profit						4,540
Finance income						5,585
Finance costs						(3,667)
Share of loss of entities accounted for using the equity method						(9,781)
Profit (loss) before income taxes						(3,323)

Notes:

- Segment profit (loss) is measured by deducting amortization of intangible assets recognized as a result of M&A and expenses for acquisition of companies (financial advisory fees and other fees) from operating profit (loss).
- "Reconciling Items" in segment profit (loss) includes amounts not allocated to each reportable segment that consist principally of corporate expenses of 2,577 million JPY and 1,940 million JPY for the three-month period ended June 30, 2023 and 2024, respectively. Corporate expenses are mainly research and development expenses for advanced technology.

(2) Information about revising segments

From the first quarter of the fiscal year ending March 31, 2025, the Company has been revised part of its method for calculating the financial performance of business segments to show the earnings capacity of each segment more accurately. Under the former basis of measurement, corporate-wide non-business expenses were included in Reconciling Items. From the “Principle of Benefit and Burden” perspective, corporate expenses, and business development and intellectual property related expenses, both of which are components of corporate-wide non-business expenses, have been allocated to reportable segments and included in Others, respectively. Additionally, intellectual property related revenue, profit and expenses, which were included in reportable segments, have been included in Others. Segment information for the three-month ended June 30, 2023 has been reclassified to conform to the presentation of the revised segments for the fiscal year ending March 31, 2025.

(3) Information about geographic areas

Revenue from external customers

	JPY (millions)	
	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Japan	508,993	520,876
North America and Latin America	32,909	28,710
Europe, Middle East, and Africa	79,336	85,782
China, East Asia, and Asia Pacific	85,304	54,928
Total	706,542	690,296

4. Finance Income and Finance Costs

Components of finance income and finance costs for the three-month period ended June 30, 2023 and 2024, are as follows:

	JPY (millions)	
	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Finance income		
Interest income	1,263	1,186
Dividend income	1,844	1,636
Foreign exchange gains, net	3,011	1,733
Gain on valuation of financial instruments	370	775
Other	491	255
Total	6,979	5,585

	JPY (millions)	
	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Finance costs		
Interest expenses	2,502	2,733
Other	415	934
Total	2,917	3,667

Interest income arises from financial assets measured at amortized cost. Dividend income arises from equity instruments designated as measured at fair value through other comprehensive income. In addition, interest expenses arise from financial liabilities measured at amortized cost and lease liabilities.

"Gain on valuation of financial instruments" in the three-month period ended June 30, 2023 and 2024, is from gains on financial assets measured at fair value through profit or loss.

5. Share of profit (loss) of entities accounted for using the equity method

An impairment loss of 11,101 million JPY on the investment accounted for using the equity method regarding NEC Capital Solutions Corporation is included in "Share of profit (loss) of entities accounted for using the equity method" for the three-month period ended June 30, 2024.

6. Earnings Per Share

The calculation of basic earnings per share (“EPS”) and diluted EPS has been based on the following profit attributable to ordinary shareholders of the parent company for the three-month period ended June 30, 2023 and 2024:

	JPY (millions)	
	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Net profit (loss) attributable to owners of the parent	(7,388)	(5,836)
Net profit (loss) attributable to ordinary shareholders of the parent to calculate basic EPS	(7,388)	(5,836)
Net profit (loss) attributable to ordinary shareholders of the parent after adjustment for the effects of dilutive potential ordinary shares	(7,388)	(5,836)
Weighted-average number of ordinary shares to calculate basic EPS (in thousands of shares)	266,347	266,454
Weighted-average number of ordinary shares (diluted) (in thousands of shares)	266,347	266,454
Basic EPS (JPY)	(27.74)	(21.90)
Diluted EPS (JPY)	(27.74)	(21.90)

Note: Net profit (loss) attributable to ordinary shareholders of the parent after adjustment for the effects of dilutive potential ordinary shares includes the effect of share options issued by associates accounted for using the equity method.

7. Subsequent Events

(1) Issuance of Unsecured Straight Bonds (Sustainability-Linked Bonds)

The Company announced the issuance of 64th and 65th series of Unsecured Straight Bonds (Sustainability-Linked Bonds) on July 3, 2024 for the purpose of repayments of borrowings and redemption of the outstanding straight bonds. All series were issued with a due date of payment on July 9, 2024, and have, as a financial covenant, a negative pledge clause (with an inter-bond pari passu clause). The information about the aggregate notional amount, coupon rate and maturity date is as follows.

Series	Aggregate notional amount (million JPY)	Coupon rate (per annum)	Maturity date
64th	20,000	0.868%	July 9, 2029
65th	10,000	1.590%	July 7, 2034

(2) Transfer of shares in an associate

The Company entered into an agreement as of July 12, 2024, under which the Company agreed to transfer a portion of its shares in NEC Capital Solutions Corporation, an associate accounted for using the equity method (*), to SBI Shinsei Bank, Ltd. The share transfer is scheduled to take place in October, 2024.

As the Company focuses more on IT services and social infrastructure businesses, the Company has decided it would be beneficial for NEC Capital Solutions Corporation to concentrate on medium- to long-term business growth and profitability improvement through collaboration with a financial business where new synergies may be expected.

As a result of this share transfer, NEC Capital Solutions Corporation will be excluded from an associate accounted for using the equity method.

* Shares transfer details

Number of shares held before transfer	8,110,000 shares (The Company's voting rights percentage: 37.68%)
Number of shares to be transferred	4,314,112 shares
Number of shares held after transfer	3,795,888 shares (The Company's voting rights percentage: 17.63%)

3. Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- adverse economic conditions in Japan or internationally;
- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- impact from the outbreak of infections;
- potential inability to achieve the goals in the NEC Group's medium-term management plan;
- fluctuations in the NEC Group's revenue and profitability from period to period;
- difficulty achieving the benefits expected from acquisitions, business combinations, reorganizations and business withdrawals;
- potential deterioration in the NEC Group's relationships with strategic partners or problems relating to their products or services;
- difficulty achieving the NEC Group's growth strategies outside Japan;
- potential inability to keep pace with rapid technological advancements in the NEC Group's industry and to commercialize new technologies;
- intense competition in the markets in which the NEC Group operates;
- risks relating to the NEC Group's concentrated customer base;
- difficulties with respect to new businesses;
- potential failures in the products and services the NEC Group provides;
- potential failure to procure components, equipment or other supplies;
- difficulties protecting the NEC Group's intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- the NEC Group's customers may encounter financial difficulties;
- difficulty attracting, hiring and retaining skilled personnel;
- difficulty obtaining additional financing to meet the NEC Group's funding needs;
- potential failure of internal controls;
- potentially costly and time-consuming legal proceedings;
- risks related to regulatory change and uncertainty;
- risks related to environmental laws and regulations;
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- risks related to corporate governance and social responsibility requirements;
- risks related to natural disasters, public health issues, armed hostilities and terrorism;
- risks related to the NEC Group's pension assets and defined benefit obligations; and
- risks related to impairment losses with regard to goodwill.

The forward-looking statements contained in this material are based on information that the Company possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect the NEC Group. The Company does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
